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WASHINGTON POST
12 June 1986

Millions in Contra Aid Traced To Offshore Banks, Honduras

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Several million dollars in U.S. aid to Nicaraguan contra rebels have been traced to offshore banks, obscure corporations and the armed forces of Honduras, raising questions about whether the money has been illegally diverted, congressional investigators said yesterday.

The military commander-in-chief of one Central American country received a check last Jan. 10 for \$450,000 from a company which had been given U.S. funds to supply goods to the rebels, according to Frank C. Conahan, director of international affairs for the General Accounting Office. Three other checks totaling \$986,689 went to that country's armed forces, Conahan said.

The country was subsequently identified as Honduras by Rep. Michael D. Barnes (D-Md.), chairman of the House Foreign Affairs subcommittee on Western Hemisphere affairs. The commander at that time was Gen. Walter Lopez Reyes, who was replaced on Feb. 1 but remains on active duty.

Barnes called the revelations "shocking" and said they were "evidence of criminal activity" in the diversion of U.S. funds intended to pay for medicine, clothing and food for the contras. Republicans agreed

that any violations of law should be prosecuted but said the GAO testimony was not conclusive and has other possible explanations.

Spokesmen for the Honduran Embassy had no immediate comment.

"There is enough evidence to be concerned that humanitarian assistance may not be reaching the intended beneficiaries," Conahan said.

The disclosures come shortly before Congress is scheduled to vote on President Reagan's request for \$100 million in new military and nonlethal aid to the rebels, who seek to oust the leftist Sandinista government of Nicaragua.

Bosco Matamoros, spokesman for the largest rebel group, the Nicaraguan Democratic Force, said the hearing was "a political exercise" set up "in order to paralyze U.S. policy" of backing the contras.

"The speculation has reached the level of the fantastic," he added. "We are honest . . . We have complied with all provisions of the law."

In a related development, the White House said a Soviet reconnaissance plane has begun flying regular missions over Nicaragua in an apparent effort to locate contra positions for Sandinista troops. The report is the second administration assertion this week of increased direct Soviet aid to Nicaragua, following accounts of the arrival in Nicaragua of a Soviet cargo vessel.

Conahan said the GAO examined subpoenaed records of 14 U.S. bank accounts into which the U.S. Treasury had paid \$14.1 million by last May 10. "Payments were made to parties which in no way submitted documentation" indicating they had supplied anything to the contras, he added.

One broker's records showed he had received \$3.3 million from the Nicaraguan Humanitarian Aid Office, which runs the U.S. program for the State Department, but had paid only \$150,000 to accounts in Central America. The rest went to companies and individuals in the United States and to offshore bank accounts in the Cayman Islands and the Bahamas "which do not appear to be suppliers in the region," Conahan said.

He added that he had been unable to find any of the companies that received funds listed in the standard Dun & Bradstreet or Standard & Poor rosters of U.S. firms. Most of the individuals paid were also untraceable, he said.

In response to questions, Conahan said there was no evidence that the contras had not received the goods and services indicated on receipts held by the Humanitarian Aid office. Rep. Michael DeWine

(R-Ohio) said it was "not inconceivable" that Gen. Lopez and the Honduran army had been paid to supply boots, food, uniforms and other nonlethal material to the contras.

Rep. Danny L. Burton (R-Ind.) said some of the offshore payments might have gone to "suppliers who might be in jeopardy" from the Sandinistas if their support were known. Rep. John S. McCain III (R-Ariz.) noted that legislation establishing the contra aid program made documentation difficult.

"We are a long way from ascertaining that anything shocking has taken place," he said. Rep. Henry J. Hyde (R-Ill.) accused Barnes of "McCarthyism" in "making serious charges without the evidence to back them up."

Barnes said he would try to subpoena the Cayman Island bank records and would turn over all evidence to the Justice Department for possible action.